

# Results of Operations and Strategies

## First half of fiscal year ending March 31, 2018



DAIKOKU DENKI Co., Ltd.  
(Tokyo Stock Exchange, First Section, 6430)

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## Related News on Financial Results

### ■ 2017

Aug. 9 Financial Results for the 1st Quarter of FY2017

Notice regarding the determination of the shareholders' hospitality program

Nov. 6 Revision of earnings estimates

Nov. 13 Financial Results for the 2nd Quarter of FY2017

Dividend of surplus (Interim dividend)

## Related News on Business and New Products

### ■ 2017

Apr. 18 Notice regarding launch of two types of pachislot machines by Daxel Co., Ltd.

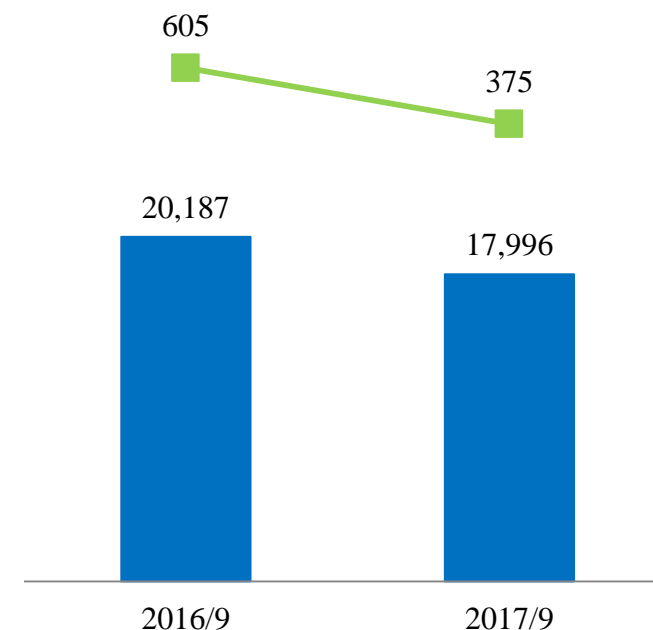
# Consolidated Financial Highlights

Net sales ¥17,996 Million  
 Operating income ¥375 Million  
 Ordinary income ¥493 Million  
 Net income attributable to owners of the parent ¥296 Million

**Net sales and Operating income**

(Millions ¥)

■ Net sales  
 ■ Operating income

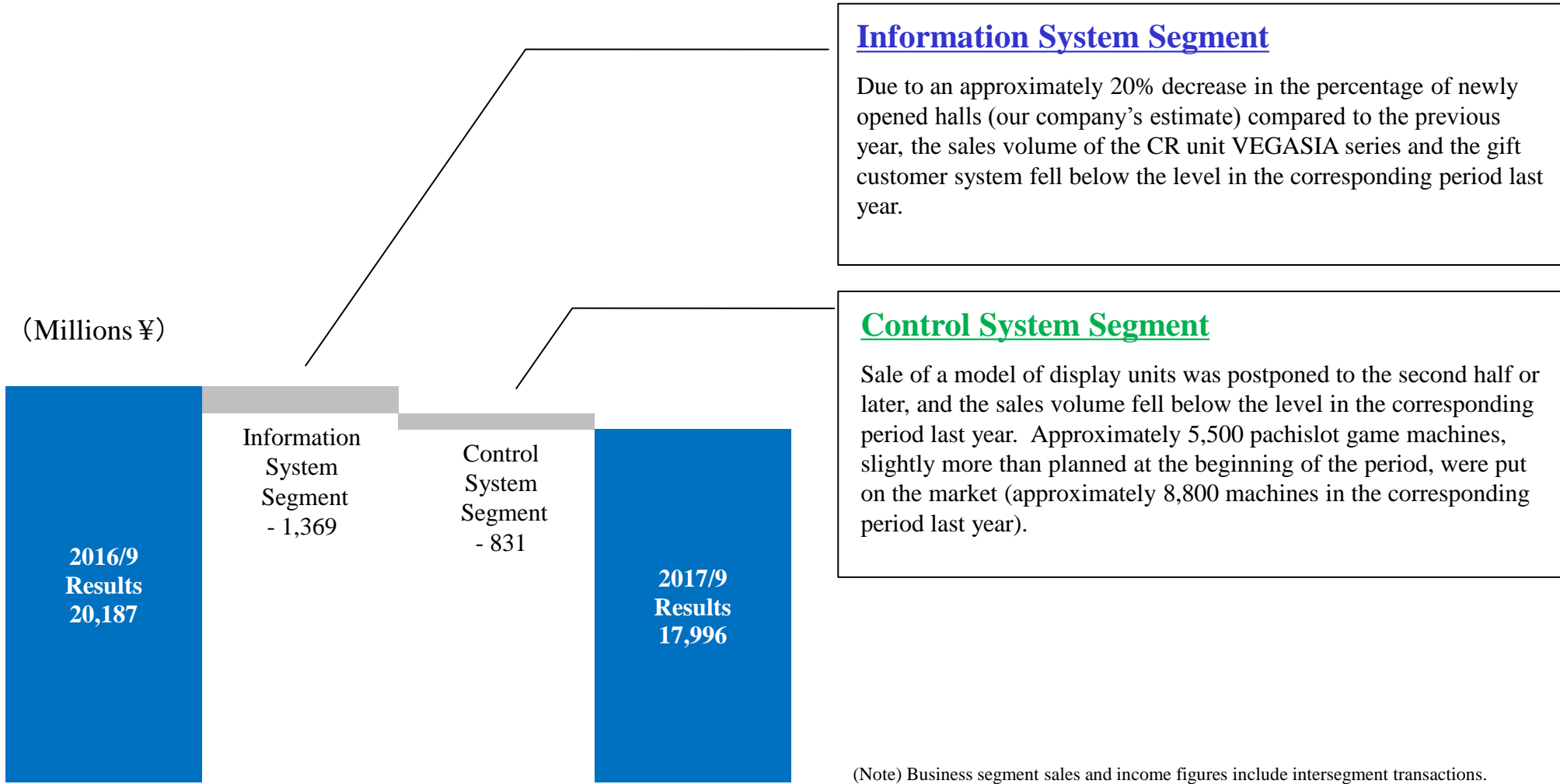


(Millions ¥)	2016/9	2017/9	YoY Change	Vs. Forecasts Change
Net sales	20,187	17,996	- 2,191	- 1,004
Gross profit-net	7,532	6,097	- 1,435	- 703
Selling, general and administrative expenses	6,926	5,722	- 1,204	- 978
Operating income	605	375	- 230	+ 275
Ordinary income	706	493	- 213	+ 393
Net income attributable to owners of the parent	329	296	- 33	+ 246
Research and development expenditure	1,711	1,240	- 471	- 410

(Note) The planned ratio is the value of earnings projection for the term ending in March 2018 announced on May 15, 2017, as well as the planned ratio described in the materials for the briefing of the term ending in March 2018 held on June 1, 2017 targeting institutional investors and analysts.

YoY Change

- ¥2,191 Million



**Information System Segment**

Due to an approximately 20% decrease in the percentage of newly opened halls (our company's estimate) compared to the previous year, the sales volume of the CR unit VEGASIA series and the gift customer system fell below the level in the corresponding period last year.

**Control System Segment**

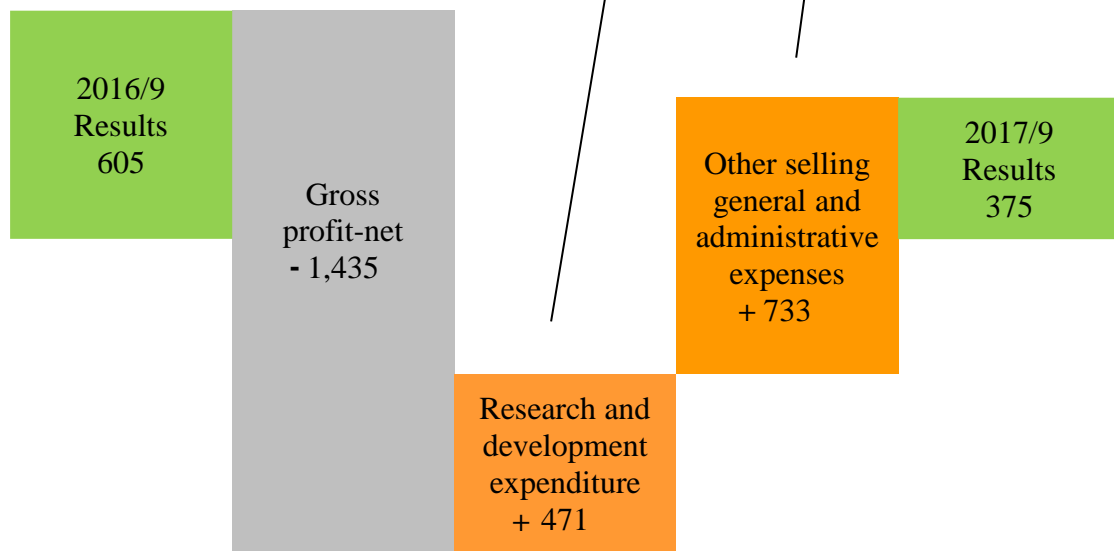
Sale of a model of display units was postponed to the second half or later, and the sales volume fell below the level in the corresponding period last year. Approximately 5,500 pachislot game machines, slightly more than planned at the beginning of the period, were put on the market (approximately 8,800 machines in the corresponding period last year).

(Note) Business segment sales and income figures include intersegment transactions.

YoY Change

- ¥230 Million

(Millions ¥)



## Research and development expenditure

(Millions ¥)

	2017/9	YoY Change	Vs. Forecasts Change
Information System Segment	965	-128	-35
Control System Segment	275	-343	-375

## Main items of other selling, general and administrative expenses :

Provision of allowance for doubtful accounts  
(YoY Change - ¥184 Million)  
Sales commissions and Advertising expense  
(YoY Change - ¥496 Million)

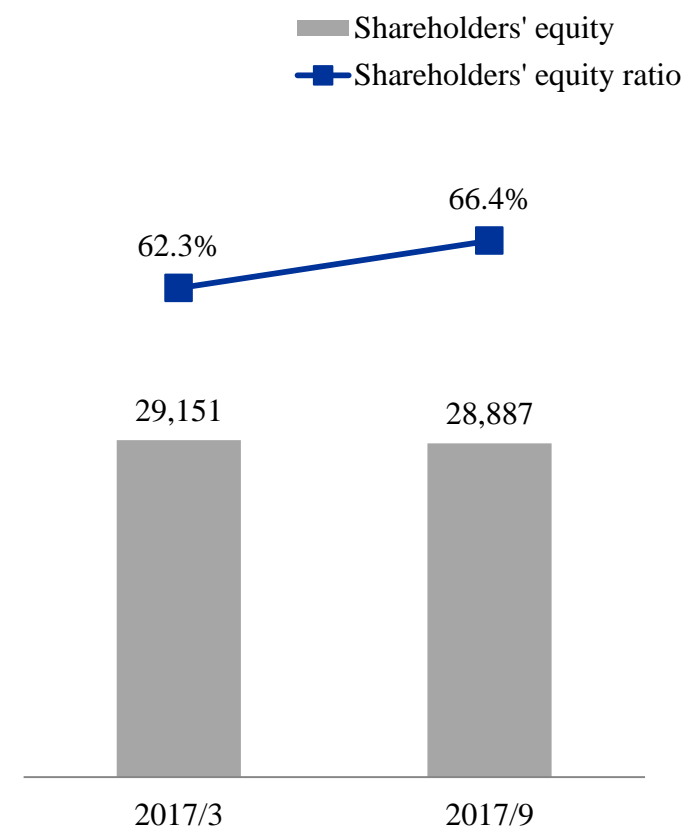
## Consolidated Balance Sheets (Summary)

Total liabilities and net assets	¥43,500 Million
Total liabilities	¥14,613 Million
Total net assets	¥28,887 Million

(Millions ¥)	2017/3	2017/9	Difference
Current assets	29,888	26,714	- 3,174
Noncurrent assets	16,939	16,785	- 154
Total assets	46,828	43,500	- 3,328
Current liabilities	16,502	13,601	- 2,901
Noncurrent liabilities	1,173	1,012	- 161
Total liabilities	17,676	14,613	- 3,063
Total net assets	29,151	28,887	- 264
Total liabilities and net assets	46,828	43,500	- 3,328
Debt	3,300	3,300	0
Debt equity ratio	0.11times	0.11times	0.00times
Shareholders' equity ratio	62.3%	66.4%	+ 4.1%
Receivables turnover period	75.3days	75.0days	- 0.3days
Inventory turnover period	70.0days	65.5days	- 4.5days
Payable turnover period	69.3days	81.2days	+ 11.9days
Number of shares outstanding	14,783,178	14,783,178	—

### Shareholders' equity

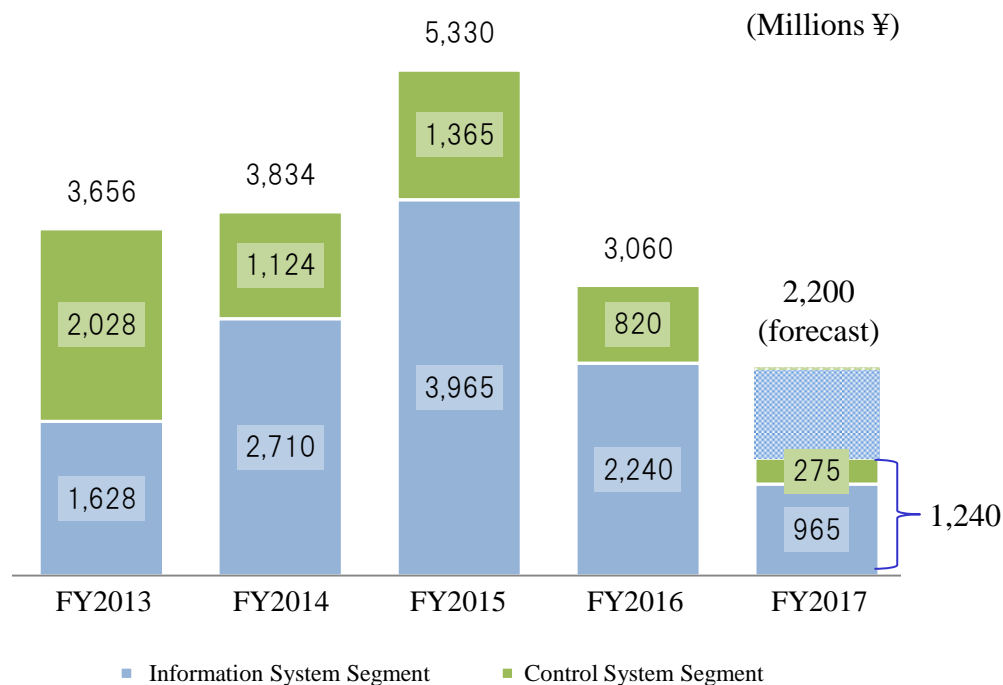
(Millions ¥)



## Consolidated Statements of Cash Flows

(Millions ¥)	2016/9	2017/3	2017/9
Operating CF	6,457	9,339	- 125
Investment CF	- 1,473	- 1,696	- 1,559
Financing CF	- 2,790	- 2,938	- 591
Cash and cash equivalents	11,550	14,062	11,786

### Research and development expenses



### (Operating CF)

- ¥125 Million

#### <Income>

Income before income taxes : ¥485 Million

Depreciation expense : ¥ 104 Million

#### <Expenditure>

Decrease in trade payables : ¥ 1,363 Million

Decrease in accounts payable (other liabilities) : ¥ 902 Million

### (Investment CF)

- ¥1,559 Million

<Main factors> Due to acquisition of fixed assets

### (Financing CF)

- ¥591 Million

<Main factors> Due to payment of dividends

# Business Results by Segment

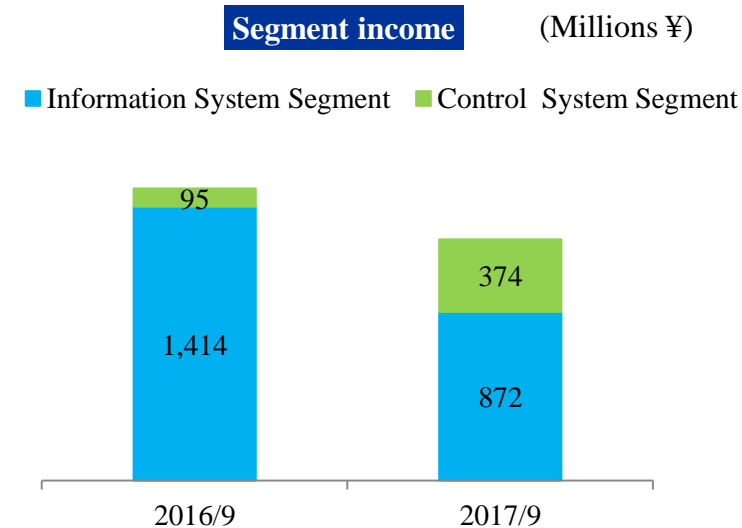
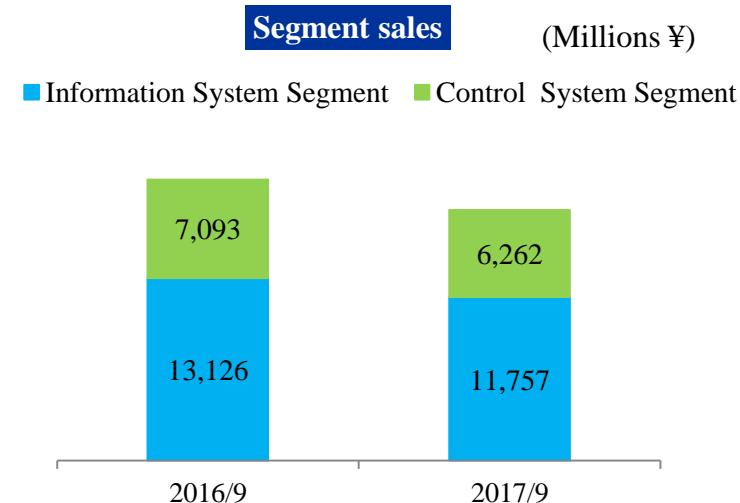
## YoY Change

Segment sales - ¥2,214 Million(-10.9%), Segment income - ¥263 Million(-17.4%)

(Millions ¥)	2016/9	2017/9	YoY Change	Vs. Forecasts Change
<b>Information System Segment</b>	13,126	11,757	- 1,369	- 1,243
Hardware	7,911	6,555	- 1,356	—
System	5,215	5,202	- 13	—
Subtotal	13,126	11,757	- 1,369	- 1,243
<b>Control System Segment</b>	7,093	6,262	- 831	+262
Units and Parts	3,825	3,955	+130	—
Pachislot and Others	3,268	2,307	- 961	—
Subtotal	7,093	6,262	- 831	+262
<b>Segment sales</b>	20,219	18,019	- 2,200	- 981
<b>Information System Segment</b>	1,414	872	- 542	- 128
<b>Control System Segment</b>	95	374	+279	+374
<b>Segment income</b>	1,509	1,246	- 263	+246
Corporate expenses	-903	-871	+32	+29
Net sales	20,187	17,996	- 2,191	- 1,004
Operating income	605	375	- 230	+275

(Note) The planned ratio is the value of earnings projection for the term ending in March 2018 announced on May 15, 2017, as well as the planned ratio described in the materials for the briefing of the term ending in March 2018 held on June 1, 2017 targeting institutional investors and analysts.

Business segment sales and income figures include intersegment transactions.



# Business Environment

## ■ Recent industry trends

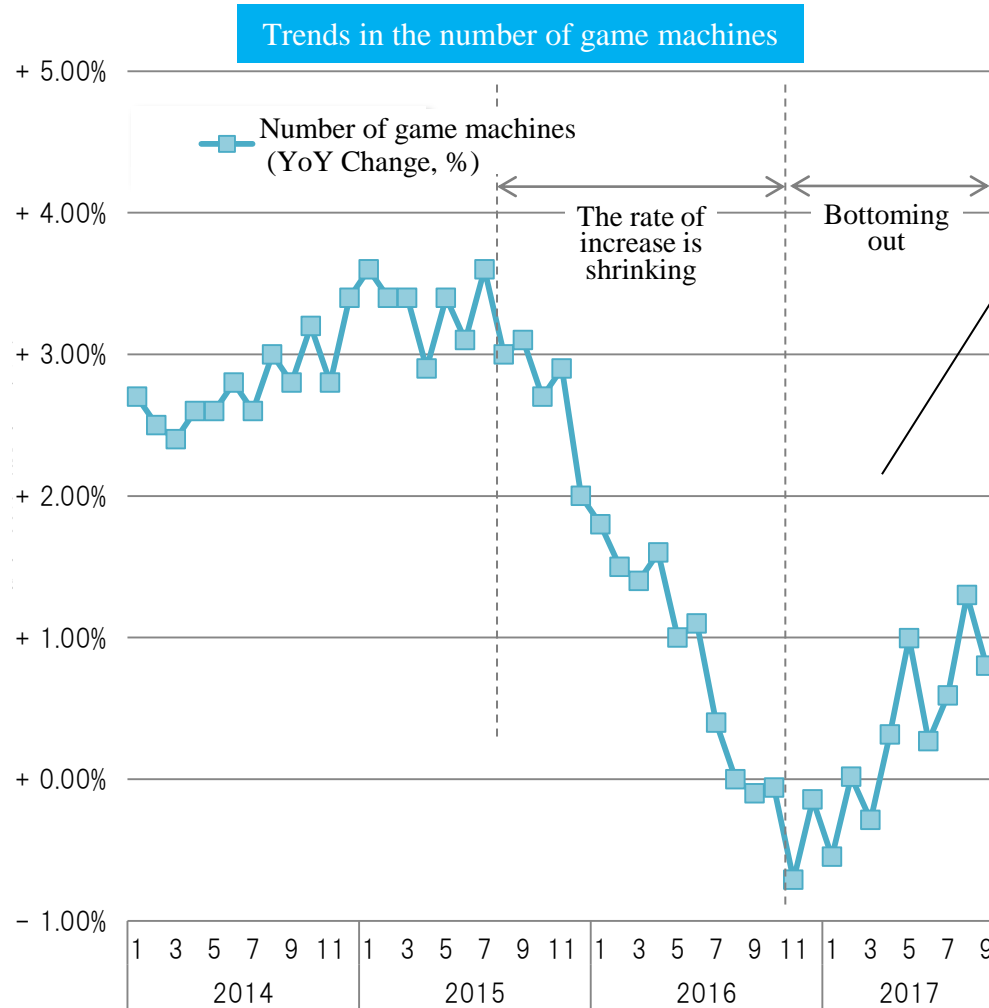
1. In the pachinko industry, in which our group company (“the Group”) is engaged, “Ordinance for enforcement of the Act regulating adults’ entertainment business, etc., and Ordinance for partial revision of the regulations concerning authorization and model approval for game machines” were promulgated on September 4, 2017 (enforcement date: February 1, 2018, hereinafter abbreviated as “regulation revision”).
2. For instance, the maximum ball pay-out by game machines is controlled, and specifications of game machines to be managed are specified in this regulation revision. Old-standard and new-standard machines will coexist for the time being, and there are matters that have not yet been determined at the present moment such as what transitional measures to take.

## ■ Industry trends in the present

1. Since a situation with so many indeterminate matters continues with a series of movements related to the regulation revision, etc., it is difficult to foresee the industry’s future, so the uncertain situation continues.

# Trends in the number of game machines installed in pachinko halls

The decreasing number of machines being installed bottomed out.



Since the end of 2015, the rate at which machines were being installed has been shrinking, but it bottomed out since around the end of 2016.

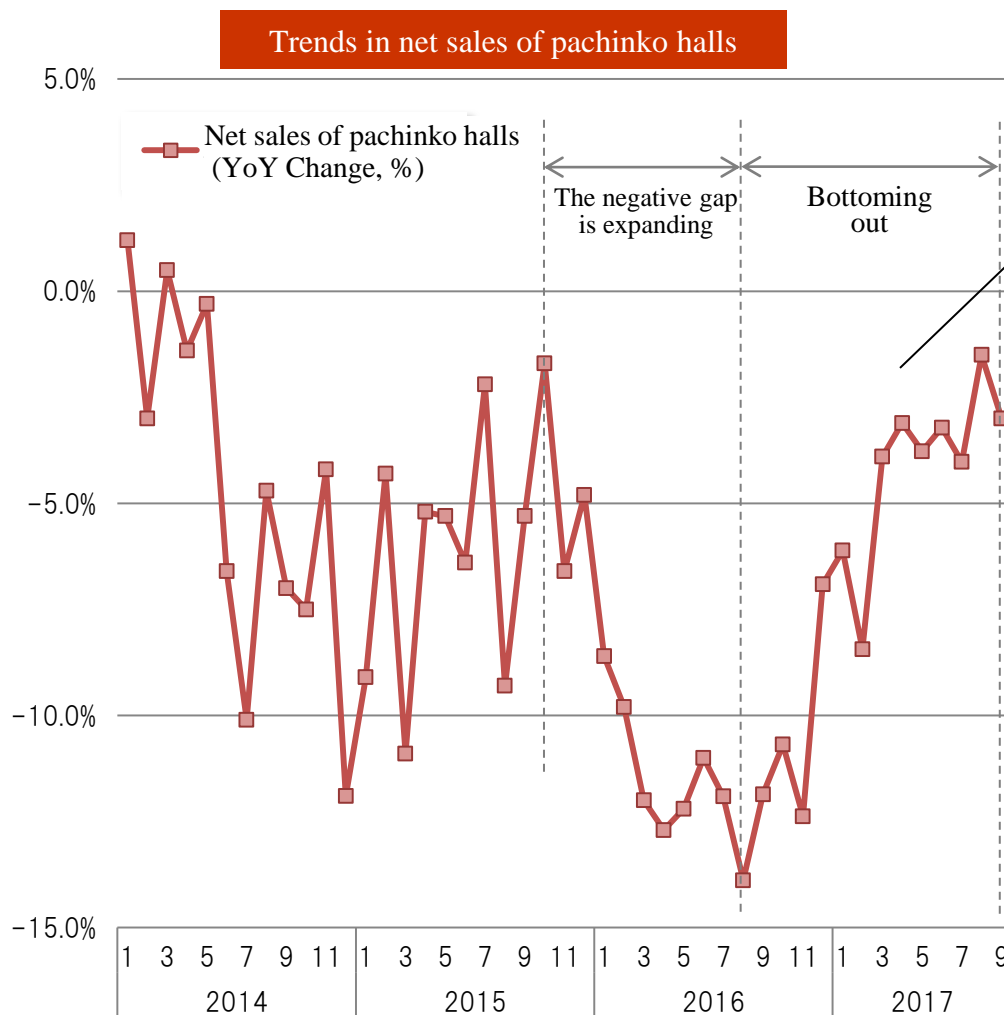
Number of game machines (YoY Change, %)

	2014	2015	2016	2017
Jan.	2.7%	3.6%	1.8%	-0.5%
Feb.	2.5%	3.4%	1.5%	0.0%
Mar.	2.4%	3.4%	1.4%	-0.3%
Apr.	2.6%	2.9%	1.6%	0.3%
May	2.6%	3.4%	1.0%	1.0%
Jun.	2.8%	3.1%	1.1%	0.3%
Jul.	2.6%	3.6%	0.4%	0.6%
Aug.	3.0%	3.0%	0.0%	1.3%
Sep.	2.8%	3.1%	-0.1%	0.8%
Oct.	3.2%	2.7%	-0.1%	
Nov.	2.8%	2.9%	-0.7%	
Dec.	3.4%	2.0%	-0.1%	

(Source of data) Ministry of Economy, Trade and Industry, "Survey on Selected Service Industries"

# Recent trends in net sales of pachinko halls

The increasingly negative hall sales are shrinking (bottoming out)



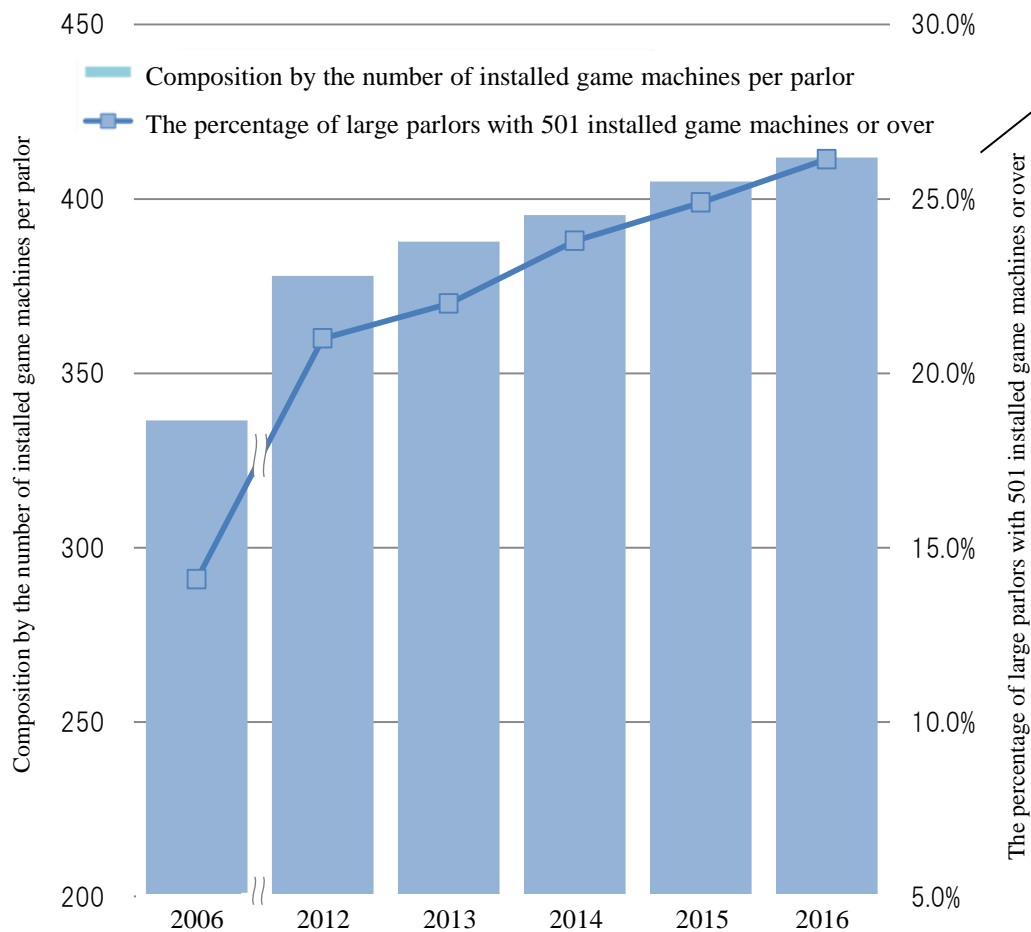
Hall sales that had been increasingly negative year-on-year since the end of 2015 bottomed out from around summer 2016 and the degree of negativity year-on-year is shrinking.

Net sales of pachinko halls (YoY Change, %)

	2014	2015	2016	2017
Jan.	1.2%	-9.1%	-8.6%	-6.1%
Feb.	-3.0%	-4.3%	-9.8%	-8.4%
Mar.	0.5%	-10.9%	-12.0%	-3.9%
Apr.	-1.4%	-5.2%	-12.7%	-3.1%
May	-0.3%	-5.3%	-12.2%	-3.8%
Jun.	-6.6%	-6.4%	-11.0%	-3.2%
Jul.	-10.1%	-2.2%	-11.9%	-4.0%
Aug.	-4.7%	-9.3%	-13.9%	-1.5%
Sep.	-7.0%	-5.3%	-11.9%	-3.0%
Oct.	-7.5%	-1.7%	-10.7%	
Nov.	-4.2%	-6.6%	-12.4%	
Dec.	-11.9%	-4.8%	-6.9%	

(Source of data) Ministry of Economy, Trade and Industry, "Survey on Selected Service Industries"

## The percentage of large parlors has increased compared to ten years ago



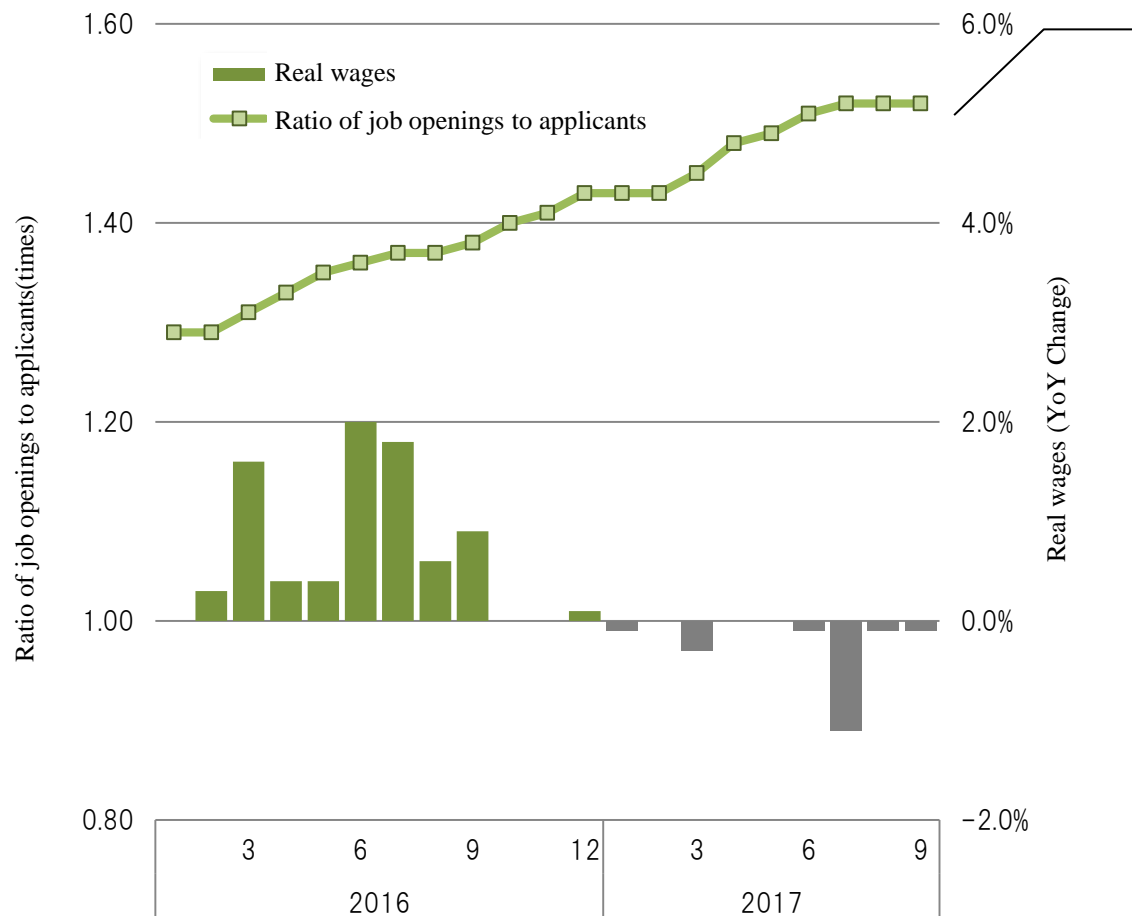
The percentage of large parlors with 501 installed game machines or over has increased by 12 points compared to ten years ago.

	The number of installed game machines per parlor (%)					Average installed game machines
	-100	101-300	301-500	501-1,000	1,001-	
2012	2.8	39.9	36.3	19.4	1.6	378.0
2013	2.7	38.6	36.7	20.2	1.8	387.8
2014	2.5	37.4	36.3	21.7	2.1	395.4
2015	2.3	36.7	36.1	22.4	2.5	405.0
2016	2.2	35.3	36.3	23.5	2.6	411.9
2006	4.5	46.3	35.1	13.3	0.8	336.5

(Source of data) The National Police Agency “The 2016 White Paper on Adult Entertainment Business issued by the Community Safety Bureau”

# Recent trends in ratio of job openings to applicants

Expectation to have a positive impact on future "pocket money"



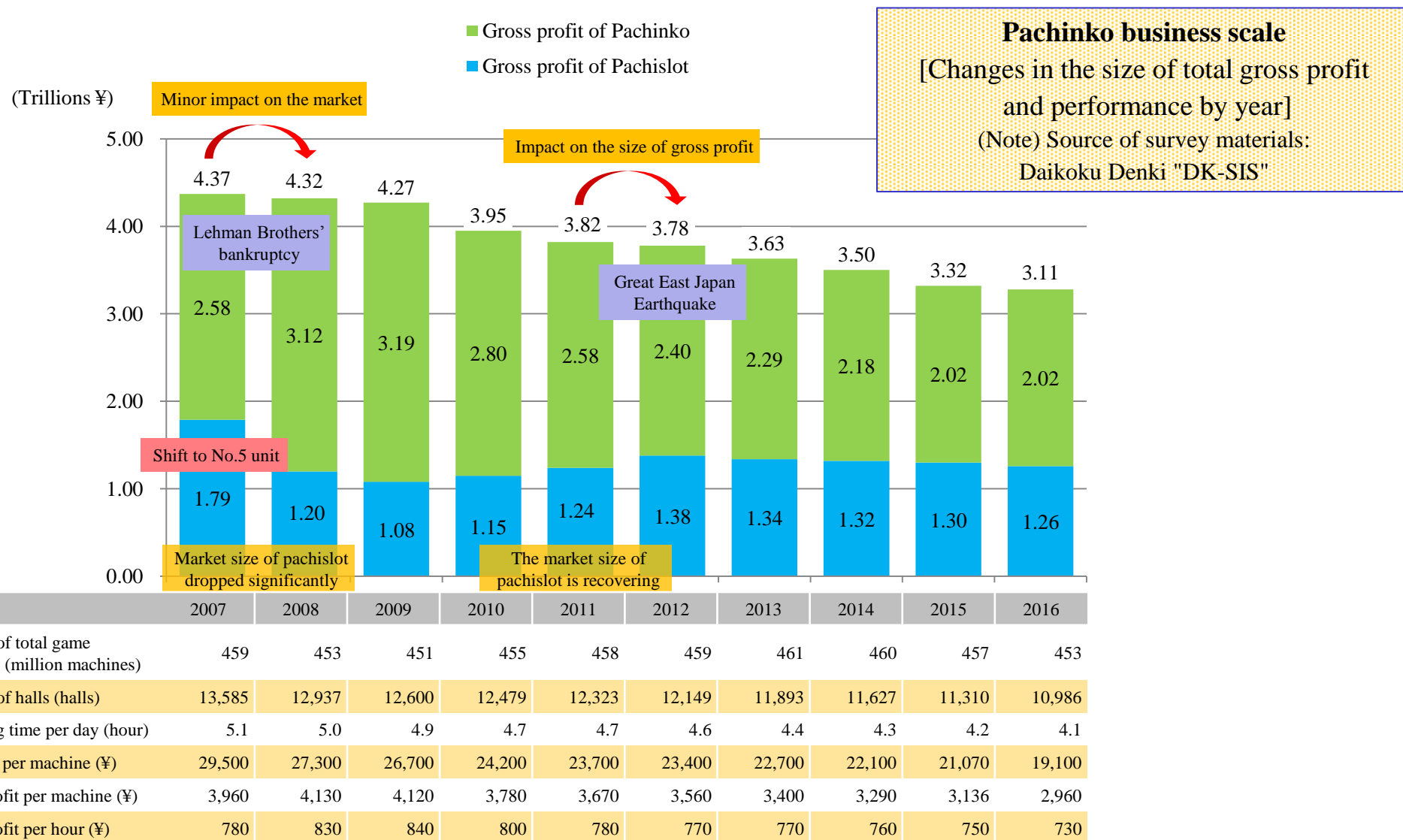
We expect the fact that the recent jobs-to-applicants ratio has remained at a level over one, will support wages and have a positive impact on "pocket money" in the future.

	Ratio of job openings to applicants (Times)	Real wage (YoY Change %)	Reference	
			Nominal wage (YoY Change %)	Unemployment rate (%)
2017/1	1.43	-0.1	+0.3	3.0
2017/2	1.43	+0.0	+0.4	2.8
2017/3	1.45	-0.3	0.0	2.8
2017/4	1.48	+0.0	+0.5	2.8
2017/5	1.49	+0.0	+0.6	3.1
2017/6	1.51	-0.1	+0.4	2.8
2017/7	1.52	-1.1	-0.6	2.8
2017/8	1.52	-0.1	+0.7	2.8
2017/9	1.52	-0.1		2.8

(Note) Ratio of job openings to applicants = nationwide, including part-time workers, seasonally adjusted. Real wage, nominal wage = Total of the surveyed industries, establishments with at least five regular employees. Unemployment rate = Total of men and women, seasonally adjusted. (Source of data) Ministry of Health, Labor and Welfare

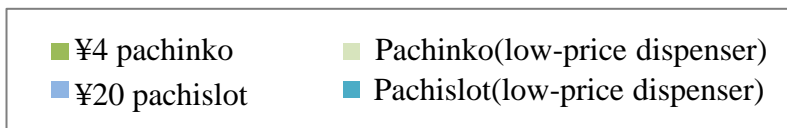
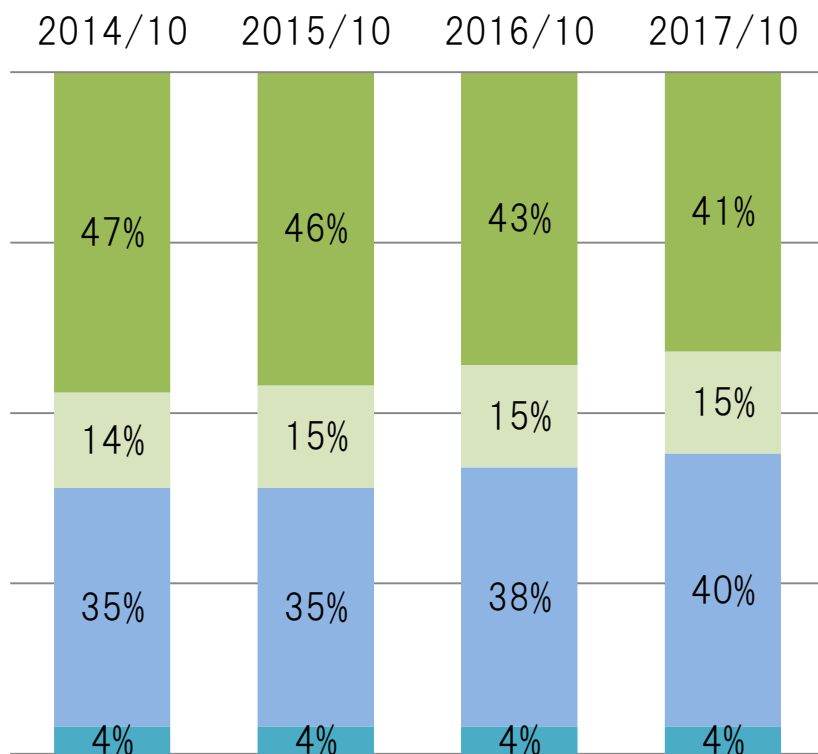
# Changes in the size of market total gross profit and shifts in performance by year

Although the market is still in a severe condition, it is forecast to recover approaching the Olympics in Tokyo in 2020.



# Changes in gross profit structure

(Comparison of October 2014 – 2017)

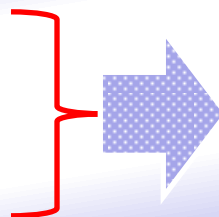


Gross profit share				
	2014	2015	2016	2017
¥4 pachinko	47%	46%	43%	41%
Pachinko(low-price dispenser)	14%	15%	15%	15%
¥20 pachislot	35%	36%	38%	40%
Pachislot(low-price dispenser)	4%	4%	4%	4%

Number of machines share				
	2014	2015	2016	2017
¥4 pachinko	39%	37%	36%	35%
Pachinko(low-price dispenser)	25%	27%	27%	27%
¥20 pachislot	29%	29%	30%	31%
Pachislot(low-price dispenser)	7%	7%	7%	7%

## <Reading and understanding from gross profit share>

- Share of ¥4 pachinko has decreased
- Share of ¥20 pachislot has increased
- Share of Pachinko and Pachislot at low rental costs were flat



## Advance indicators of pachinko hall creation (configuration of the number of machines)

- Share of ¥4 pachinko to decline continually
- Share of ¥20 pachislot to increase slightly
- Share of Pachinko and Pachislot at low rental costs to flat

# Business strategy and measures

## Business environment in the games industry

### ■ Changes in the market environment surrounding the Group

- Revisions of rules for both pachinko and pachislot game machines are proceeding simultaneously.
- Strengthening measures against gambling addiction is sought due to enactment of “Act on Promoting Development of Areas for Specified Integrated Resort Facilities,” and the Pachinko Industry is promoting strengthened efforts to address the dependence (addiction) problem in pachinko parlors. Study results may affect the operations of pachinko halls.
- As a part of the efforts to tackle the dependence problem, the “Ordinance for enforcement of the Act regulating adults’ entertainment business, etc., and Ordinance for partial revision of the regulations concerning authorization and model approval for game machines” were promulgated on September 4, 2017, and will be enforced from February 1, 2018.



- The Group’s idea to consistently achieve sustainable growth by creating new value through innovation remains unchanged. However, regulation revision pertaining to game machines may significantly impact this industry, so the Group is conducting reviews to respond to the regulation revision and changes in the market environment. It seems the situation that requires revision of the business strategy each time in accordance with the market trend will continue for the time being.

## ■ The Group's understanding for changes in the market environment

■ The Group understands changes in the market surrounding the pachinko industry, such as regulation revision, to be a good opportunity for the pachinko industry to evolve into one that will be even more widely supported by society in the medium to long term.

■ The Group strives to contribute to market evolution by working on service development using new systems, and technology such as measures to prevent “addiction,” and by actively offering these to the market.

The Group promotes active efforts so that the market is activated, pachinko is popular as a wholesome recreation, and the enhancement of leisure in society is advanced.

## ■ The Group's business

- Main products and services in each segment, and the relationship with customers are as indicated in the diagram below.
- Every segment advances business development in the games industry.
- We are aware that the most important challenge is to flexibly respond to a changes in the recent market environment surrounding the Group, and along with the idea that we hone the Group's strength and respond to changes in the market environment, each segment shall adopt their current strategic direction.

### The Group's customer attributes

Pachinko and Pachislot fan

Pachinko halls

Game machine manufacturers

Amusement fan

↑  
Service to provide information

↑  
The product

↑  
The product

↑  
The product

↑  
Amusement software

#### Information System Segment

##### 【Main products and services】

- Computer systems for pachinko halls
- Prize management systems
- Information display systems
- Various support services, including DK-SIS

#### Control System Segment

##### 【Main products and services】

- Display units for pachinko machines
- Control units for pachinko machines
- Parts to be used for pachinko game machines
- Pachislot machines

**Daikoku Denki is proud of itself for having what did not exist previously in the industry.**

## Track records (examples)

■ Our own system to collect, analyze and process game machine data “DK-SIS,” a membership-based information provision service\*

■ Information terminal that displays game machine data to fans, “Data Robo”

■ Member service for pachinko halls, “Robo card”

■ “MIRAIGATE” to comprehensively support hall operations

(\*Data for 1,460,000 game machines are owned as of the end of October 2017. This corresponds to 32% of the game machines nationwide (the company's estimate).

**The source of DAIKOKU DENKI's strength is, “Number one in human resource power, and special one in product strength.”**

## Strengths (examples)

■ A trusted relationship in which we continued to make optimal proposals by putting ourselves in the customers' shoes

■ Daikoku Denki has a traditional corporate culture to respect innovative ideas and address creative ideas.

Information to support the operations of pachinko hall associations



Provides information  
「The Data Robo terminal」

Member card for pachinko  
「Robo card」



Management support services  
「MIRAIGATE」



MIRAIGATE  
OPEN THE GATE OF YOUR FUTURE

# Business strategy

## Information System Segment

## Information System Segment

I

Sales promotion of various products, such as a CR unit and data display device, and an approach to stable business through expansion of the recurring fee revenue model (management support service)

Expanding market share, and acceleration of an earnings structure that can respond more flexibly

II

Timely introduction of products and services that flexibly respond to industry change due to regulation revision

Aggressively embrace industry change and make it a business opportunity.

III

Promote continuous investment after conducting a review because of regulation revision, such as development of “next generation major product group”

Business model innovation

## Information System Segment measures

### [View of current business environment]

A passive stance for willingness of a capital investment in the market is expected to continue for a while, but demand for equipment such as a call lamp due to replacement of game machines in response to recent regulation revision is gradually stirring.

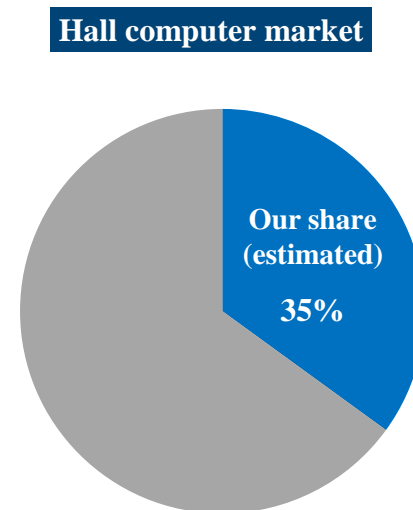
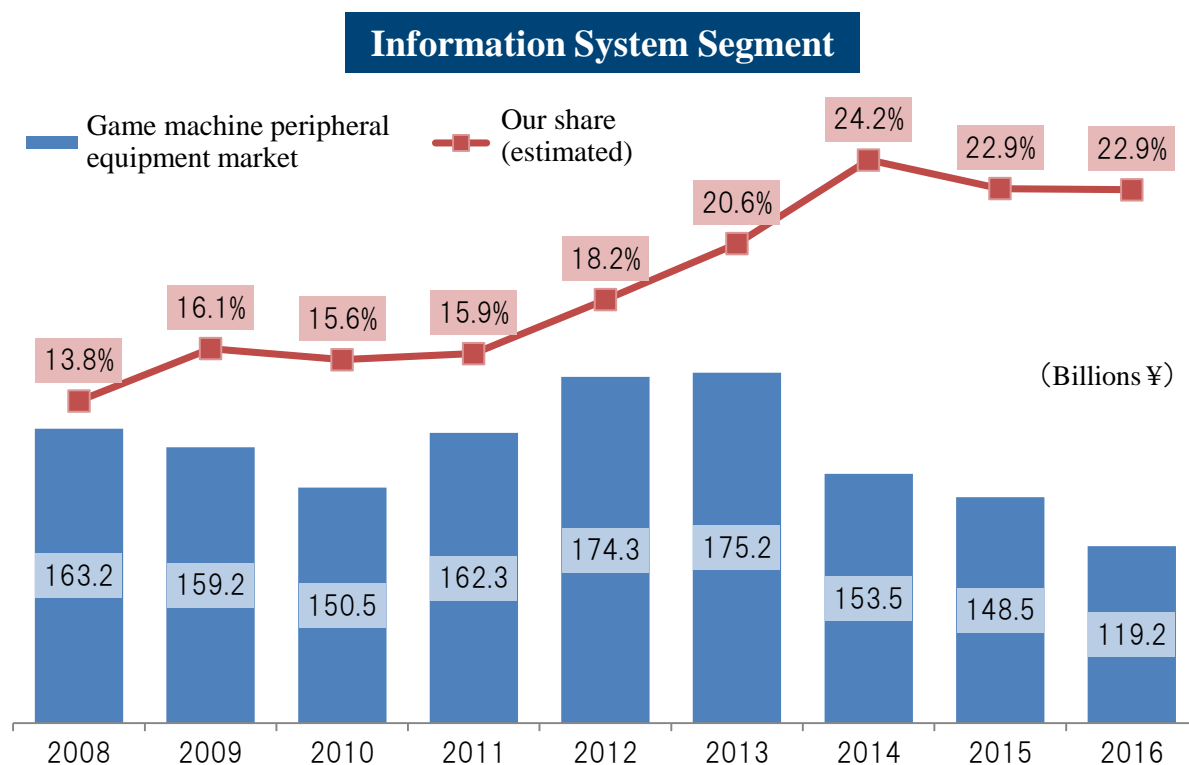
### [Direction of business initiatives]

1. We promote initiatives aimed at expanding the market share in the Information System Segment.
2. We respond to changes in the market environment and continue development investment, with the aim of developing products and services that can help operation of the pachinko halls that are our customers, and to contribute to the acquisition of new fans.

### [Correspondence and measures]

1. With respect to next generation system development, we promote adding specifications that respond to new rules, review of the development progress, strengthening of products and services that contribute to efficiency and power saving during hall operation along with the changes in the market environment, and conduct reviews for timing of introductions to the market.
2. We contribute to the enhanced competitiveness of the pachinko halls that are our customers, to their power savings, and accelerate initiatives for the recurring fee revenue model, through provision of the operation support service (MG service).
3. We strengthen initiatives aimed at acquiring new fans by expanding various services to provide information to fans (Pachirobo, etc.).

## Raising the market share



FY	2008	2009	2010	2011	2012	2013	2014	2015	2016
Game machine peripheral equipment market (A) (Billions ¥)	163.2	159.2	150.5	162.3	174.3	175.2	153.5	148.5	119.2
Information System Segment (B) (Billions ¥)	22.6	25.6	23.5	25.7	31.7	36.1	37.1	34.1	27.3
Our share (estimated) B/A	13.8%	16.1%	15.6%	15.9%	18.2%	20.6%	24.2%	22.9%	22.9%

(Source of data) Game machine peripheral equipment market: Surveyed by Yano Research Institute

## **NEW** Nationwide fan trend data release service “Fan-SIS”

Our company has been offering a “facial recognition” function, and a more detailed data analysis has become possible with the new CR unit, “VEGASIA III,” which was released in June this year, and we released a new-era data analysis service, “Fan-SIS.”

### Nationwide fan trend data release service



1. Integrating nationwide data makes it possible to do more accurate and reliable data analysis.
2. You can learn your store’s strengths, weaknesses, and potential growth by comparing your store with nationwide data.

Flash report of  
new game machine

Earnings forecast that can be done in three days!  
Thorough analysis of data for three days after introducing a new game machine

New game  
machine analysis

Data comparison analysis with radar chart!  
Characteristics of your hall can be understood by comparing with national data.

Weekly  
performance

Selected one week data can be checked.  
Realize the optimal model composition that suits your hall’s customer segment by sorting data by customer segment, such as gender and age group.



## Information System Segment

(Millions ¥)	FY2015			FY2016			FY2017(Projected)			
	1st half	2nd half	Total	1st half	2nd half	Total	1st half	Vs. Forecasts Change	2nd half	Total
Net sales	16,089	17,987	34,076	13,126	14,134	27,260	11,757	- 1,243	16,743	28,500
Segment income	1,320	957	2,277	1,414	1,597	3,011	872	- 128	1,628	2,500
Research and development expenditure	1,925	2,040	3,965	1,093	1,147	2,240	965	- 35	935	1,900

### ■ Number of sales

(Note) Business segment sales and income figures include intersegment transactions.

Hall computer	54	59	113	30	46	76	33	-7	67	100	
Call Lamp	BiGMO Series	6,820	6,592	13,412	-	-	-	-	-	-	
	BiGMO PREMIUM	21,619	33,368	54,987	12,674	14,480	27,154	12,295	- 3,705	22,705	35,000
	REVOLA	-	-	-	19,583	28,573	48,156	18,079	- 921	23,921	42,000
	IL-X Series	41,189	31,831	73,020	10,757	11,881	22,638	11,490	+ 490	13,510	25,000
CR unit "VEGASIA"	44,094 69 halls	53,915 76 halls	98,009 145 halls	30,327 49 halls	35,535 49 halls	65,862 98 halls	24,438 34 halls	- 7,562 - 16 halls	45,562 86 halls	70,000 120 halls	
Face authentication system	6 halls	6 halls	12 halls	3 halls	9 halls	12 halls	15 halls	- 5 halls	30 halls	45 halls	

### ■ Total subscribership

C II Standard	2,741	-	2,807	2,830	-	2,866	2,861	- 59	-	2,970
Contents library	1,502	-	1,575	1,618	-	1,669	1,731	+ 11	-	1,770
DK-SIS members	3,718	-	3,717	3,704	-	3,709	3,682	- 43	-	3,750
C II-SIS members	965	-	1,036	1,124	-	1,182	1,242	- 8	-	1,300
CR unit (Pachinko halls)	454	-	527	567	-	616	644	- 6	-	700
Third-party stored ball management	726	-	789	831	-	867	914	- 26	-	990

# Business strategy

## Control System Segment

## Control System Segment

I

Emphasize the entertainment aspect, and focus on the activation of the game environment through creation of games that comply with new rules.

Contribution to the operations of pachinko halls

II

Promptly respond to the requests of game machine manufacturers, and promote our company's cost reduction, short-term development, and establishment of a quality assurance system.

Shorten the customer's development period, and contribute to cost reduction and quality improvement

III

Implementation of a project proposal that generates new game value by using "DK-SIS" data and "FAN data" that the Information System Segment has, and expansion of the business area.

Business model innovation

## Control System Segment measures

### [View of current business environment]

A passive stance for willingness of a capital investment in the market is expected to continue for a while, but demand for equipment such as a call lamp due to replacement of game machines in response to recent regulation revision is gradually stirring.

### [Direction of business initiatives]

1. We promote initiatives aimed at expanding the market share in the Information System Segment.
2. We respond to changes in the market environment and continue development investment, with the aim of developing products and services that can help operation of the pachinko halls that are our customers, and to contribute to the acquisition of new fans.

### [Responses and measures in pachinko business]

1. We promote initiatives to strengthen project proposals, utilizing “DK-SIS (game machine data)” and “FAN data (customer SIS).”
2. In addition to the shortening of development period and the reduction of development cost, we aim to improve quality by enhancing expertise and technical capabilities as well as improving process control.

### [Responses and measures in pachislot business]

1. We pay close attention to the pachislot market situation through regulations, and take a cautious stance in response to risks.

## Launch of two types of pachislot machines

■ A company in the Group, DAXEL Co., Ltd., released new pachislot models, “Pachislot Sora-no-Otoshimono Forte” and “Pachislot Yuki Yuna is a Hero.” These two new models are Anislo.



“Pachislot, Sora-no-Otoshimono Forte”



“Pachislot, Yuki Yuna is a Hero”

### ■ Supplementary explanation

- “Anislo” is the abbreviated term for a pachislot developed through collaboration with animation/cartoons.
- The “characteristic of a pachislot of DAXEL Co., Ltd.” is that it is proud to have a good reputation as a pachislot manufacturer, with strengths in Anislo in the industry through tie-ups with many animations.

➤ “Pachislot, Sora-no-Otoshimono Forte” and “Pachislot, Yuki Yuna is a Hero” have been in operation since July 2017.

## Control System Segment

	FY2015			FY2016			FY2017 (Projected)			
	1st half	2nd half	Total	1st half	2nd half	Total	1st half	Vs. Forecasts Change	2nd half	Total
Net sales	8,144	4,842	12,986	7,093	6,422	13,515	6,262	+ 262	4,238	10,500
Segment income	350	- 1,689	- 1,319	95	- 401	- 306	374	+ 374	326	700
Research and development expenditure	636	729	1,365	618	202	820	275	- 375	25	300

(Note) Business segment sales and income figures include intersegment transactions.

Video processing unit	7	6	13	4	3	7	4	- 1	8	12
Sales volume	83,272	41,498	124,770	32,054	37,718	69,937	23,318	- 11,682	75,000	98,318

### ■ Pachislot business

Models	0	1	1	1	1	2	2	0	0	2
Sales volume	0	5,100	5,100	8,800	3,500	12,300	5,500	+ 100	0	5,500

(\*) In the Control System Segment, “sales of development costs” to game machine manufacturers are posted as a cancellation of research and development expenses. Sales of development costs are planned to be 400 million yen for the first half, and 1.05 billion yen for the second half of the fiscal year ending March 2018.

(\*) A full-year plan for the number of display unit models for the fiscal year ending March 2018 has changed from 13 to 12. (To be sold from next year, or later.)

# FY Ending March 2018 Full Year Forecasts

- Earnings forecast for the full fiscal year ending March 2018 remains the same as the forecast announced on May 15, 2017.
- Although we expect the market environment to continue to be harsh against a backdrop of declining appetite for investment of pachinko halls, we will strive toward achieving our full-year consolidated earnings forecast by strengthening our proposal capabilities and by promoting active and bold action.  
If the need for revision arises in the future, we will disclose such revision in a prompt manner.

# FY Ending March 2018 Full Year Forecasts

	FY2016 (Result)			FY2017 (Forecasts)				YoY Change
	1st half	2nd half	Total	1st half (Result)	Vs. Forecasts Change	2nd half	Total	
Net sales	20,187	20,527	40,714	17,996	- 1,004	21,004	39,000	- 1,714
Gross profit-net	7,523	6,421	13,953	6,097	-703	7,303	13,400	- 553
Selling, general and administrative expenses	6,926	5,978	12,904	5,722	- 978	6,378	12,100	- 804
Operating income	605	443	1,048	375	+ 275	925	1,300	+ 252
Ordinary income	706	668	1,374	493	+ 393	807	1,300	- 74
Net income attributable to owners of the parent	329	173	502	296	+ 246	504	800	+ 298

Research and development expenses	1,711	1,349	3,060	1,240	- 410	960	2,200	- 860
Depreciation expense	792	869	1,661	854	+ 62	996	1,850	+ 189
Capital investment	296	693	989	394	+ 98	956	1,350	+ 361
Software	485	1,143	1,628	440	- 45	1,560	2,000	+ 372

# Returning earnings to shareholders

**We have established a new shareholder special benefit plan!**

**We will present points that can be exchanged for goods, depending on the number of shares and the amount of values held.**

## Eligible shareholders

Shareholders holding 100 shares or more as of September 30 of each fiscal year

The number of shares	Present points
100 ~ 299 shares	3,000 points (worth 3,000 yen)
300 ~ 599 shares	6,000 points (worth 6,000 yen)
500 ~ 699 shares	12,000 points (worth 12,000 yen)
700 ~ 999 shares	15,000 points (worth 15,000 yen)
1,000 shares ~	20,000 points (worth 20,000 yen)

- Eligible shareholders can select an item among 600 attractive goods, such as gourmets, travel and consumer electronics.
- Points can be carried forward to another year, and the points will be counted 1.1 times from the second year!

# Shareholder special benefit plan

Examples of goods for the shareholder special benefit plan that can be selected among about 600 items

## 3,000points



Umeboshi (pickled plum) Yubari melon jelly

Imabari towel

## 6,000points



Pork loin steak

Special Rice (5kg)

Electric kettle

## 12,000points



Matsusaka beef

Blowfish

Special Rice (12kg)

## 15,000points



Kobe beef

Drive recorder

High-pressure back washing machine

## 20,000points



Crab

Matsusaka beef

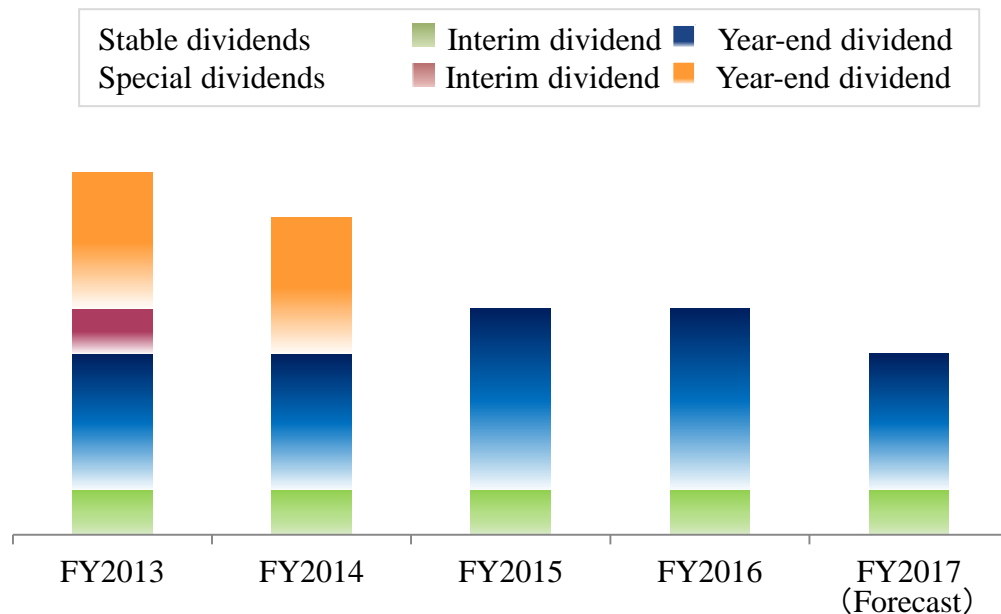
Hotel vouchers

Points also can be donated to social contribution activities.

Based on shareholders' opinions received last year, we made various improvements, such as replacement of products.

We will continue our efforts to have a better product lineup to suit shareholders' tastes.

<Policy> The Company implements "special dividends" according to the revenue based on "consecutive dividends"



The Company pays "Special dividends" according to performance.

**Stable dividend (¥40)**  
(¥10 interim dividend and ¥30 year-end dividend).

	Stable dividends			Special dividends		Total	Payout ratio (%)
	Interim dividend	Year-end dividend	Total	Interim dividend	Year-end dividend		
FY2013	10	30	40	10	30	80	36.1
FY2014	10	30	40		30	70	118.3
FY2015	10	40	50			50	—
FY2016	10	40	50			50	147.0
FY2017 (Forecast)	10	30	40			40	73.9

# Disclaimer

The contents in this material and comments made during the questions and answers etc. of this briefing session are the judgment and forecasts of the company's management based on the currently available information.

These contents involve risk and uncertainty, and the actual results may differ materially from these contents/comments.

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